



Trade Facts

Office of the United States Trade Representative
November 3, 2005

www.ustr.gov

U.S. agrees with EU, Japan, Korea, and Taiwan to apply zero duties on Multi-Chip Integrated Circuits (MCP)

Duty-free treatment for \$1 billion in U.S. high-tech exports; new momentum for WTO Doha talks on manufactured goods

New Market Access for U.S. High-Tech Semiconductors

- The United States has negotiated an agreement with the European Union, Japan, Korea, and Taiwan on applying zero duties on Multi-Chip Integrated Circuits, also known as multi-chip packages or MCPs. MCPs are an evolutionary new high-tech semiconductor technology used in small computer products such as cell phones, digital cameras and hand-held Personal Digital Assistants (PDAs).
- U.S.-headquartered companies account for over 50% of global revenue in MCPs, more than any other country, and U.S. exports of MCPs amount to over \$1 billion. Over 200,000 workers in the United States are employed by the semiconductor industry. This agreement will expand opportunities and boost sales for U.S. firms and workers in the \$4.2 billion in global market, which is expected to almost double by 2008.
- The MCP Agreement will also level the playing field for U.S. firms and workers by reducing to zero higher tariffs abroad. Under the agreement, Korea will cut its 8% bound duty and the European Union will cut duties bound at rates as high as 4%, while the United States will cut its 2.6% duty on MCPs.
- The parties are working through domestic approval procedures and have targeted January 1, 2006 as the date when zero duties on MCPs are scheduled to go into effect. The Administration consulted closely with the Congress over the course of the negotiations and will notify the Congress of the President's intention to enter into the agreement shortly.

New Momentum for WTO Doha Negotiations to Eliminate Tariffs on Manufactured Products; Agreement Keeps WTO on the Cutting-Edge of Technology

- A key goal of the United States in the WTO Doha negotiations is to eliminate tariffs in manufactured products in all sectors. This agreement helps build momentum heading into the talks, by expanding opportunities for producers around the world in an important technology not covered by the ITA.
- The five parties, which account for over 70% of global MCP production, will cooperate in the WTO to obtain additional commitments to cut to zero duties on MCPs. Once the parties agree that a sufficient amount of world trade is covered (for example, 90%), the MCP zero tariffs will be bound in the WTO. This two-step process will provide momentum for the WTO Doha Development Agenda negotiations.
- The MCP Agreement also keeps the WTO on the cutting-edge to keep pace with changing technologies in the marketplace. MCPs were not yet in existence in 1996 when the WTO Information Technology Agreement (ITA) eliminated the duties on most semiconductors. Global trade in MCPs has grown from zero in 1999 to \$4.2 billion in 2004 and is foreseen to almost double again by 2008, reflecting the increasing demand for cell phones with multiple features.